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TELEPHONE & TELECOMMUNICATIONS  
ALLIANCE

July 29, 1996

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, DC 20554

Re: Ex parte Matter, CC Dkt. 96-98, Implementation of  
the Local Competition Provisions of the  
Telecommunications Act of 1996

Dear Mr. Caton:

This letter responds to the request of Mr. Robert M. Pepper, Chief, Office of Plans and Policy, regarding the concerns of the Independent Telephone and Telecommunications Alliance with respect to various issues in the referenced proceeding. This request emanated from an earlier meeting with Mr. Pepper on a different matter.

I am attaching to this letter the information requested by Mr. Pepper.

In accordance with the requirements of Section 1.1206(a)(1) of the Commission's Rules, two copies of this letter with attachment are being filed today for inclusion in the public record.

Sincerely,

Diane Smith

DS/ss

Attachment

cc: Mr. Robert M. Pepper

c:\docs\exparte.ltr

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## **ITTA Interconnection Concerns**

### **2% Waiver**

The Act specifically recognizes that local exchange carriers ("LECs") with under 2% of the nation's access lines may be unable to meet the enhanced interconnection, unbundling, and resale requirements established by the Act for large LECs. Indeed, the Senate report language anticipates that imposing these requirements may, in some instances, be anti-competitive. As a result, the FCC should ensure that any new interconnection requirements recognize the unique circumstance of these smaller carriers and allow them the flexibility necessary to effectively compete in the new telecommunications marketplace.

### **Physical Collocation**

The FCC must recognize that mid-sized telephone companies' networks are often made up of small central offices and remote switching stations. They are often physically modest and many are attended "remotely". The FCC previously exempted Tier 2 companies from its "expanded interconnection" requirements -- consistently, it should build flexibility for mid-sized telephone companies into any new physical collocation guidelines.

### **Resale**

The Commission must find that, when the retail rate for a service is set below the cost of providing that service, that rate already excludes any "avoided" costs and that no further discounting is necessary. Any costs not recovered from the wholesale rate should be recovered by a mid-sized telephone company from the universal service fund. This merely recognizes the legacy of past local ratemaking policies, and prevents the establishment of market incentives for new entrants to resell the services of incumbent LECs instead of building their own competitive facilities.

### **Bona Fide Requests**

In order to avoid inefficiency and wastefulness, the Commission must require those seeking interconnection from an incumbent rural or mid-size LEC to pay the costs of processing the request, specify the technical specifications and quantity of interconnection points desired, and to treat confidentially any competitively sensitive information exchanged as a result of the request.

### **Interconnection Pricing**

Small and mid-size companies cannot and should not subsidize the competitive activities of other carriers. As a result, interconnection pricing must allow these companies to set rates for interconnection that recover all costs plus a reasonable profit. An interconnection pricing regimen reflective of current access pricing will allow for full cost recovery, support universal service, and discourage anti-competitive arbitrage by new entrants and IXC's. As access reform and universal service modifications are implemented, then interconnection pricing will transition as well.

### **Access Charge Bypass**

The Commission must ensure that interexchange carriers are not permitted to bypass the existing access charge rules through selective use of unbundled interconnection elements. To do so is anti-competitive and, until comprehensive universal service reform, rate rebalancing, and access reform are in place, potentially fatal to smaller local exchange carriers.

### **Excessive Unbundling Requirements**

The Commission must acknowledge that the personnel resources and operational support systems necessary to unbundle numerous elements are simply too severe for small and mid-size companies. These companies should not be required to unbundle any elements beyond local loop and port. This allows competitors reasonable interconnection without imposing costly and inefficient requirements on smaller carriers.

### **Need For Rate Reblancing/ Pricing Flexibility**

Decisions regarding enhanced interconnection for small and mid-size LECs are inextricably intertwined with the FCC's consideration of universal service, access reform, and rate rebalancing. It is vitally important that smaller carriers, who are unable to withstand even minor revenue loss for an extended time, have the pricing flexibility and regulatory freedom necessary to respond aggressively to the new competitive marketplace.

In this regard, the Commission should acknowledge that, for such smaller carriers, technically feasible does not mean technically possible, that feasibility varies from company to company and among study areas, and that smaller carriers are in a unique and precarious environment. The Commission should resist any arguments to require such smaller carriers to reconfigure their networks or to provide services in a fashion or under rates or conditions that are anti-competitive for the incumbent.